

**REPORT OF THE AUDIT OF THE
CRITTENDEN COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2003**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE
CRITTENDEN COUNTY FISCAL COURT

For The Fiscal Year Ended
June 30, 2003

The Auditor of Public Accounts has completed the Crittenden County Fiscal Court audit for fiscal year ended June 30, 2003. We have issued an unqualified opinion on the primary government financial statements taken as a whole. Based upon the audit work performed and the report of other auditors, the financial statements are presented fairly in all material respects.

Financial Condition:

Cash balances of the primary government decreased \$68,682 from the beginning of the year, resulting in a cash surplus of \$595,310 as of June 30, 2003.

Debt Obligations:

Capital lease principal agreements totaled \$99,194 as of June 30, 2003. Future principal and interest payments of \$110,496 are needed to meet these obligations.

Report Comment:

- The Former Crittenden County Jailer Failed To Disclose The Operation Of A Jail Canteen

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities or bonds.

CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT	1
CRITTENDEN COUNTY OFFICIALS.....	3
STATEMENT OF ASSETS, LIABILITIES, AND EQUITY ARISING FROM CASH TRANSACTIONS	6
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES - ALL GOVERNMENTAL FUND TYPES	12
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES - PROPRIETARY FUND TYPE AND DISCRETELY PRESENTED COMPONENT UNIT	17
STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE AND DISCRETELY PRESENTED COMPONENT UNIT	21
NOTES TO FINANCIAL STATEMENTS	22
SUPPORTING SCHEDULES:	
COMPARATIVE SCHEDULE OF BUDGETED TO ACTUAL OPERATING REVENUE	31
SCHEDULE OF OPERATING REVENUE	35
COMPARATIVE SCHEDULE OF FINAL BUDGET AND BUDGETED EXPENDITURES	39
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	43
COMMENT AND RECOMMENDATION	47
APPENDIX A:	
CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Ernie Fletcher, Governor

Robbie Rudolph, Secretary

Finance and Administration Cabinet

Honorable Victor P. Hardin, Former Crittenden County Judge/Executive

Honorable Fred Brown, Crittenden County Judge/Executive

Members of the Crittenden County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and equity arising from cash transactions of Crittenden County, Kentucky, as of June 30, 2003, the statement of cash receipts, cash disbursements, and changes in cash balances - all governmental fund types; the statement of cash receipts, cash disbursements, and changes in cash balances - proprietary fund type and discretely presented component unit; and the related statement of cash flows - proprietary fund type and discretely presented component unit for the year then ended. These financial statements are the responsibility of the Crittenden County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Crittenden County Hospital, Incorporated. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Crittenden County Hospital, Incorporated, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Crittenden County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The financial statements of the Crittenden County Hospital, Incorporated are presented according to accounting principles generally accepted in the United States of America. This basis of accounting is inconsistent with the basis of accounting used in the financial statements of the primary government of Crittenden County, Kentucky.



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A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate. Such legally separate entities are referred to as component units. In our opinion, the primary government financial statements present fairly, in all material respects, the financial position of the primary government of Crittenden County, Kentucky, as of June 30, 2003, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with the modified cash basis of accounting.

However, the primary government financial statements, because the financial data of the component unit of Crittenden County, Kentucky, is presented according to a different basis of accounting, do not purport to, and do not, present fairly the financial position of Crittenden County, Kentucky, as of June 30, 2003, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated May 10, 2004, on our consideration of Crittenden County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Crittenden County, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The Former Crittenden County Jailer Failed To Disclose The Operation Of A Jail Canteen

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
May 10, 2004

CRITTENDEN COUNTY OFFICIALS

For The Fiscal Year Ended June 30, 2003

Fiscal Court Members:

Victor P. Hardin	County Judge/Executive
Helen McConnell	Magistrate
Curt Buntin	Magistrate
Glenn Underdown	Magistrate
Percy Cook	Magistrate
Greg West	Magistrate
Dan Wood	Magistrate

Other Elected Officials:

Alan Stout	County Attorney
Jerry Gilland	Jailer
Carolyn Byford	County Clerk
Madeline Henderson	Circuit Court Clerk
Wayne Agent	Sheriff
Ronnie Heady	Property Valuation Administrator
Terry Gilbert	Coroner

Appointed Personnel:

Roberta Shewmaker	County Treasurer
Sue Padget	Finance Officer

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STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS

CRITTENDEN COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS

June 30, 2003

	<u>Governmental Fund Type</u>		<u>Proprietary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise</u>	<u>Primary Government</u>
<u>Assets and Other Resources</u>				
<u>Assets</u>				
Cash and Cash Equivalents	\$ 599,033	\$ 1,132	\$ 309	\$ 600,474
Assets whose use is limited-				
Current Liabilities				
Patient accounts receivable, net of				
estimated uncollectibles of \$1,445,975				
Inventories				
Other Current Assets				
Total Current Assets	<u>599,033</u>	<u>1,132</u>	<u>309</u>	<u>600,474</u>
Assets whose use is limited				
Less amount required to meet current				
obligations				
Total Assets Limited To Use				
Property and equipment, net				
Other non-current assets				
Total Property and Equipment and				
Non-Current Assets				
Total Assets	<u>599,033</u>	<u>1,132</u>	<u>309</u>	<u>600,474</u>
<u>Other Resources</u>				
Amounts to Be Provided				
in Future Years for:				
Capital Lease (Note 4)	<u>99,194</u>			<u>99,194</u>
Total Other Resources	<u>99,194</u>			<u>99,194</u>
Total Assets and Other Resources	<u>\$ 698,227</u>	<u>\$ 1,132</u>	<u>\$ 309</u>	<u>\$ 699,668</u>

The accompanying notes are an integral part of the financial statements.

CRITTENDEN COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS
June 30, 2003
(Continued)

Component Unit	Totals (Memorandum Only)
Crittenden County Hospital, Incorporated	Reporting Entity
\$ 618,869	\$ 1,219,343
349,488	349,488
2,523,928	2,523,928
529,083	529,083
322,025	322,025
<u>4,343,393</u>	<u>4,943,867</u>
5,236,972	5,236,972
<u>349,488</u>	<u>349,488</u>
<u>4,887,484</u>	<u>4,887,484</u>
9,922,954	\$ 9,922,954
<u>84,196</u>	<u>84,196</u>
<u>10,007,150</u>	<u>10,007,150</u>
<u>19,238,027</u>	<u>19,838,501</u>
	<u>99,194</u>
	<u>99,194</u>
<u>\$ 19,238,027</u>	<u>\$ 19,937,695</u>

The accompanying notes are an integral part of the financial statements.

CRITTENDEN COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS
June 30, 2003
(Continued)

	Governmental Fund Type		Proprietary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Enterprise	Primary Government
<u>Liabilities and Equity</u>				
<u>Liabilities</u>				
Current Liabilities:				
Current portion-notes payable	\$	\$	\$	\$
Accounts payable				
Accrued expenses				
Estimated third-party settlements				
Payroll liabilities	4,855			4,855
Other current liabilities				
Total Current Liabilities	4,855			4,855
Long-term debt, net of current portion				
Capital Lease (Note 4)	99,194			99,194
Total Liabilities	104,049			104,049
<u>Equity</u>				
Retained Earnings:				
Restricted			309	309
Equity:				
Unreserved	594,178	1,132		595,310
Net Assets:				
Unrestricted				
Total Equity	594,178	1,132	309	595,619
Total Liabilities and Equity	\$ 698,227	\$ 1,132	\$ 309	\$ 699,668

The accompanying notes are an integral part of the financial statements.

CRITTENDEN COUNTY
 STATEMENT OF ASSETS, LIABILITIES,
 AND EQUITY ARISING FROM CASH TRANSACTIONS
 June 30, 2003
 (Continued)

Component Unit	Totals (Memorandum Only)
Crittenden County Hospital, Incorporated	Reporting Entity
\$ 2,652,600	\$ 2,652,600
475,809	475,809
869,981	869,981
561,464	561,464
	4,855
421,529	421,529
4,981,383	4,986,238
4,693,225	4,693,225
	99,194
9,674,608	9,778,657
	309
	595,310
9,563,419	9,563,419
9,563,419	10,159,038
<u>\$ 19,238,027</u>	<u>\$ 19,937,695</u>

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BALANCES - ALL GOVERNMENTAL FUND TYPES

CRITTENDEN COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BALANCES - ALL GOVERNMENTAL FUND TYPES

For The Fiscal Year Ended June 30, 2003

	General Fund Type			
	General Fund	Road and Bridge Fund	Jail Fund	Local Government Economic Assistance Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 701,618	\$ 1,458,568	\$ 81,157	\$ 61,809
Other Financing Sources:				
Transfers In	100,500	8,000	159,357	
Kentucky Advance Revenue Program	303,900	416,700		
Total Cash Receipts	<u>\$ 1,106,018</u>	<u>\$ 1,883,268</u>	<u>\$ 240,514</u>	<u>\$ 61,809</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 725,752	\$ 1,308,277	\$ 234,003	\$ 76,259
Other Financing Uses:				
Transfers Out	136,357	108,500	8,000	15,000
Leases:				
Principal Paid	7,000	17,976	8,700	
Kentucky Advance Revenue Program Repaid	303,900	416,700		
Total Cash Disbursements	<u>\$ 1,173,009</u>	<u>\$ 1,851,453</u>	<u>\$ 250,703</u>	<u>\$ 91,259</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ (66,991)	\$ 31,815	\$ (10,189)	\$ (29,450)
Cash Balance - July 1, 2002	<u>152,219</u>	<u>305,262</u>	<u>13,428</u>	<u>150,576</u>
Cash Balance - June 30, 2003	<u>\$ 85,228</u>	<u>\$ 337,077</u>	<u>\$ 3,239</u>	<u>\$ 121,126</u>

The accompanying notes are an integral part of the financial statements.

CRITTENDEN COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
 AND CHANGES IN CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
 For The Fiscal Year Ended June 30, 2003
 (Continued)

General Fund Type	Special Revenue Fund Type	
E-911 Board Fund	E-911 Wireless Fund	Totals (Memorandum Only)
\$ 11,531	\$	\$ 2,314,683
		267,857
		720,600
\$ 11,531	\$ 0	\$ 3,303,140
\$ 5,399	\$	\$ 2,349,690
		267,857
		33,676
		720,600
\$ 5,399	\$ 0	\$ 3,371,823
\$ 6,132	\$	\$ (68,683)
41,376	1,132	663,993
\$ 47,508	\$ 1,132	\$ 595,310

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BALANCES - PROPRIETARY FUND TYPE
AND DISCRETELY PRESENTED COMPONENT UNIT

CRITTENDEN COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BALANCES - PROPRIETARY FUND TYPE
AND DISCRETELY PRESENTED COMPONENT UNIT

For The Fiscal Year Ended June 30, 2003

	Proprietary Fund Type	Totals	Component Unit	Totals
		Primary Government (Memorandum Only)	Crittenden County Hospital, Incorporated	Reporting Entity (Memorandum Only)
Cash Receipts, Unrestricted Revenues, Gains and Other Support:				
Jail Canteen Receipts	\$ 350	\$ 350	\$	\$ 350
Net Patient Service Revenue			20,824,878	20,824,878
Other Operating Revenue			120,532	120,532
Investment Income			26,771	26,771
Gain on Sale of Equipment			5,447	5,447
Total Cash Receipts, Unrestricted Revenues, Gains and Other Support:	350	350	20,977,628	20,977,978
Cash Disbursements and Expenses:				
Jail Canteen Expenditures	41	41	\$	41
Salaries and Benefits			13,140,545	13,140,545
Supplies and Other			5,623,382	5,623,382
Other Professional Services			1,619,520	1,619,520
Depreciation and Amortization			1,299,665	1,299,665
Interest			526,530	526,530
Provision for Bad Debts			569,139	569,139
Other Operating Expenses			209,193	209,193
Total Cash Disbursements and Expenses	41	41	22,987,974	22,988,015
Operating Income (Loss)	309	309	(2,010,346)	(2,010,037)
Other Income:				
Investment Return			375,126	375,126
Excess Cash Receipts and Revenues over Disbursements and Expenses and Decrease in Unrestricted Net Assets	\$ 309	\$ 309	<u>\$ (1,635,220)</u>	<u>\$ (1,634,911)</u>
Cash Balance - July 1, 2002				
Cash Balance - June 30, 2003	<u>\$ 309</u>	<u>\$ 309</u>		

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE
AND DISCRETELY PRESENTED COMPONENT UNIT

CRITTENDEN COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE
AND DISCRETELY PRESENTED COMPONENT UNIT

For The Fiscal Year Ended June 30, 2003

	Proprietary Fund Type	Totals	Component Unit	Totals
		Primary Government (Memorandum Enterprise Only)	Crittenden County Hospital, Incorporated	Reporting Entity (Memorandum Only)
Cash Flows from Operations:				
Excess Cash Receipts and Revenues over Disbursements and Expenses and Decrease in Unrestricted Net Assets	\$ 309	\$ 309	\$ (2,010,346)	\$ (2,010,037)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:				
Depreciation and Amortization			1,299,665	1,299,665
Provision for Bad Debts			569,139	569,139
Net realized Losses on Investments, Other than Trading Securities			166,473	166,473
(Gain) on Sale of Equipment			(5,447)	(5,447)
(Increase) Decrease in Operating Assets:				
Patient Accounts Receivable			(706,349)	(706,349)
Estimated Third-Party Settlements			303,213	303,213
Inventories			29,339	29,339
Other Current Assets			(145,997)	(145,997)
Increase (Decrease) in Operating Liabilities:				
Accounts Payable			161,537	161,537
Estimated Third-Party Settlements			561,464	561,464
Accrued Liabilities			159,420	159,420
Net cash Provided by Operations	309	309	382,111	382,420
Cash Flows from Investing Activities:				
Purchase of Property and Equipment			(621,380)	(621,380)
Proceeds from the Sale of Property and Equipment			54,430	54,430
Investment Transactions, Net			(57,675)	(57,675)
Net Cash Used by Investing Activities			(624,625)	(624,625)
Cash Flows from Financing Activities:				
Principal Payments on Long-Term Debt			(342,100)	(342,100)
Net Cash Used by Financing Activities			(342,100)	(342,100)
Net Increase (Decrease) in Cash and Cash Equivalents	309	309	(584,614)	(584,305)
Cash and Cash Equivalents, Beginning of Year			1,203,483	1,203,483
Cash and Cash Equivalents, End of Year	\$ 309	\$ 309	\$ 618,869	\$ 619,178
Supplemental Cash Flows Information:				
Interest Paid			\$ 532,650	\$ 532,650

The accompanying notes are an integral part of the financial statements.

CRITTENDEN COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2003

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Crittenden County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Crittenden County Hospital, Incorporated as a component unit of the reporting entity.

Crittenden County Hospital, Incorporated

The Crittenden County Hospital, Incorporated is a legally separate entity. Fiscal Court has the authority to appoint a voting majority of the Board of Directors. Therefore, management has included this entity as a component unit, and the entity's financial activity is discretely presented in the financial statements. Crittenden County Hospital, Incorporated's fiscal year ends on September 30; therefore, financial information for Crittenden County Hospital, Incorporated presented herein is as of and for the year ended September 30, 2003. A complete copy of the audit report may be obtained from the Crittenden County Hospital, Incorporated.

Additional - Crittenden County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Crittenden County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Crittenden County Fiscal Court's fund types, a definition of each, and county funds included within each fund type are listed on the next page.

CRITTENDEN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Crittenden County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund, and E-911 Board Fund.

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The Crittenden County Special Revenue Fund Type includes the following county fund: E-911 Wireless Fund.

3) Enterprise Fund Type

The Enterprise Fund Type is used to report an activity for which a fee is charged to external users for goods or services. The Crittenden County Enterprise Fund Type includes the Jail Canteen Fund, and Crittenden County Hospital, Incorporated.

The Jail Canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the jail canteen. Technical Audit Bulletin 93-002 provides additional accounting and expenditure guidance for acceptable jail canteen operations. All profit expenditures were for the benefit and/or recreation of the inmates

The former Jailer was charged with violation of KRS 61.190 Receiving Profit On Public Funds and KRS 61.170 Malfeasance or Neglect of County Offices by the Kentucky State Police. The former Jailer entered a guilty plea and as part of the plea agreement, the charge for Receiving Profit On Public Funds was amended to Theft By Unlawful Taking Under \$300 and the second charge was dismissed. The former Jailer resigned August 14, 2003.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Long-term receivables, long-term obligations and amounts to be provided in future years to retire debt are recorded in the financial statements. The amount to be provided in future years to retire debt is offset by any cash or cash equivalents held by the county in a bond or debt service fund.

CRITTENDEN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting (Continued)

The Department for Local Development does not require the county to maintain a general fixed assets group of accounts; therefore, the value of the county's fixed assets is not included in the financial statements. These fixed assets include buildings, equipment and land that are owned by the county. The fixed assets of Crittenden County Hospital, Incorporated are reported on these financial statements as the corporation presents its financial information according to generally accepted accounting principles.

D. Legal Compliance - Budget

The Crittenden County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the Department for Local Development. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the Department for Local Development. Expenditures may not exceed budgeted appropriations at the activity level.

E. Cash and Cash Equivalents

The county considers certificates of deposit with a maturity date of three months or less when purchased to be cash equivalents and investments are stated at cost. Cash and cash equivalents of the Crittenden County Hospital, Incorporated includes investments in highly liquid debt instruments with a maturity of three months or less, excluding amounts whose use is limited by board designation or other arrangements under trust agreements with third-party payors.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the Crittenden County Industrial Foundation is considered a related organization of Crittenden County Fiscal Court.

CRITTENDEN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

G. Joint Ventures

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture.

The Crittenden County Fiscal Court has entered into an agreement with the City of Marion to create the Marion-Crittenden County Industrial Development Authority. The Authority was created for serving as an agency to aid in the acquisition, development, and retention of industrial opportunities in Crittenden County.

The Crittenden County-Livingston County Water District was formed by Crittenden County and Livingston County to facilitate the financing of water projects in the areas adjoining both counties.

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.34 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2003, the county's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the county as beneficiary/obligee on the bond.

CRITTENDEN COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2003
 (Continued)

Note 4. Capital Lease Agreements

A. Road Grader

The Crittenden County Fiscal Court entered into a lease agreement with the Brandeis Machinery and Supply Company on February 8, 2000 for the purchase of a road grader. This lease agreement was subsequently assigned to Komatsu Financial Limited Partnership. The issue amount of the lease was \$108,900 with an interest rate of 5.34 percent. Principal and interest payments are made monthly. The principal balance of the lease as of June 30, 2003 was \$52,894. Future principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2004	\$ 2,293	\$ 18,960
2005	1,255	19,998
2006	232	13,936
Totals	<u>\$ 3,780</u>	<u>\$ 52,894</u>

B. Detention Facility

The Crittenden County Fiscal Court entered into a lease agreement with the Kentucky Area Development Districts Financing Trust on November 19, 1997 for the purpose of financing renovations to the Crittenden County Detention Facility. The issue amount of the lease was \$88,000 with an interest rate of 6.24 percent. Principal and interest payments are made twice each year during November and May. The principal balance of the lease as of June 30, 2003 was \$46,300. Future lease principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2004	\$ 2,749	\$ 9,200
2005	2,165	9,800
2006	1,544	10,400
2007	883	11,100
2008	181	5,800
Totals	<u>\$ 7,522</u>	<u>\$ 46,300</u>

CRITTENDEN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 5. Commitments and Contingencies

The Crittenden County Fiscal Court entered into a lease with the Kentucky Area Development Districts Financing Trust on January 2, 1997 for the purpose of financing the acquisition of a nursing home for the benefit of the Crittenden County Hospital, Incorporated in the amount of \$3,100,000. The county then entered into a sublease agreement with the Crittenden County Hospital, Incorporated to rent the project for a period of ten years, with an option to renew the sublease. The Crittenden County Hospital, Incorporated is responsible for the rental payments and began making payments May 20, 1997. The Crittenden County Hospital, Incorporated is in substantial compliance with the sublease agreement. The principal balance as of June 30, 2003 was \$2,417,600.

Note 6. Transportation Grant

The Ohio River Ferry Authority, Incorporated through the Crittenden County Fiscal Court obtained a grant from the Kentucky Transportation Cabinet to provide for the operation of a ferry service across the Ohio River between Crittenden County, Kentucky and Hardin County, Illinois. On November 8, 1994, the Ohio River Ferry Authority, Incorporated entered into an agreement with the Cave-In-Rock Ferry Company, Incorporated to operate the ferry service. Grant receipts for fiscal year 2003 were \$560,192 and expenditures for fiscal year 2003 were \$560,192.

Note 7. Insurance

For the fiscal year ended June 30, 2003, Crittenden County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

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COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

CRITTENDEN COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

For The Fiscal Year Ended June 30, 2003

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 617,126	\$ 701,618	\$ 84,492
Road and Bridge Fund	1,219,815	1,458,568	238,753
Jail Fund	136,811	81,157	(55,654)
Local Government Economic Assistance Fund	97,500	61,809	(35,691)
E-911 Board Fund	41,360	11,531	(29,829)
<u>Special Revenue Fund Type</u>			
E-911 Wireless	<u>1,132</u>	<u></u>	<u>(1,132)</u>
Totals	<u>\$ 2,113,744</u>	<u>\$ 2,314,683</u>	<u>\$ 200,939</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 2,113,744
Add: Budgeted Prior Year Surplus			369,000
Less: Other Financing Uses			<u>(33,676)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 2,449,068</u>

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SCHEDULE OF OPERATING REVENUE

CRITTENDEN COUNTY
SCHEDULE OF OPERATING REVENUE

For The Fiscal Year Ended June 30, 2003

	GOVERNMENTAL FUND TYPE
	<u> </u>
<u>Revenue Categories</u>	<u>General Fund Type</u>
Taxes	\$ 402,080
Excess Fees	28,025
Licenses and Permits	17
Intergovernmental Revenues	1,124,762
Charges for Services	50,773
Miscellaneous Revenues	692,967
Interest Earned	<u>16,059</u>
Total Operating Revenue	<u><u>\$ 2,314,683</u></u>

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

CRITTENDEN COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

For The Fiscal Year Ended June 30, 2003

<u>GENERAL FUND TYPE</u>			
<u>Expenditure Categories</u>	<u>Final Budget</u>	<u>Budgeted Expenditures</u>	<u>Under (Over) Budget</u>
General Government	\$ 345,092	\$ 357,000	\$ (11,908)
Protection to Persons and Property	242,638	248,043	(5,405)
General Health and Sanitation	81,700	60,550	21,150
Social Services	2,000	1,000	1,000
Recreation and Culture	20,850	18,834	2,016
Roads	1,309,329	1,268,829	40,500
Capital Projects	5,000	16,521	(11,521)
Administration	441,327	378,914	62,413
Total Operating Budget - General Fund Type	\$ 2,447,936	\$ 2,349,691	\$ 98,245
Other Financing Uses:			
Capital Lease Agreement-			
Principal on Lease	33,676	33,676	
TOTAL BUDGET - GENERAL FUND TYPE	<u>\$ 2,481,612</u>	<u>\$ 2,383,367</u>	<u>\$ 98,245</u>
<u>SPECIAL REVENUE FUND TYPE</u>			
<u>Expenditure Categories</u>	<u>Final Budget</u>	<u>Budgeted Expenditures</u>	<u>Under (Over) Budget</u>
Protection to Persons and Property	\$ 1,132		\$ 1,132
TOTAL BUDGET - SPECIAL REVENUE FUND TYPE	<u>\$ 1,132</u>	<u>\$</u>	<u>\$ 1,132</u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Victor P. Hardin, Former Crittenden County Judge/Executive
The Honorable Fred Brown, Crittenden County Judge/Executive
Members of the Crittenden County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Crittenden County, Kentucky, as of and for the year ended June 30, 2003, and have issued our report thereon dated May 10, 2004 in which we issued an adverse opinion on the reporting entity while issuing an unqualified opinion on the primary government. We did not audit the financial statements of the Crittenden County Hospital, Incorporated. Other auditors whose report has been furnished to us audited those financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Crittenden County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards and is described in the accompanying comment and recommendation.

- The Former Crittenden County Jailer Failed To Disclose The Operation Of A Jail Canteen

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Crittenden County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
May 10, 2004

COMMENT AND RECOMMENDATION

CRITTENDEN COUNTY
COMMENT AND RECOMMENDATION

For The Fiscal Year Ended June 30, 2003

The Former Crittenden County Jailer Failed To Disclose The Operation Of A Jail Canteen

The former Crittenden County Jailer did not disclose to us that he ever operated or maintained records for a Jail Canteen Fund as of and for fiscal year ending June 30, 2003. The former Jailer was charged with KRS 61.190 Receiving Profit On Public Funds and KRS 61.170 Malfeasance or Neglect of County Offices. The former Jailer entered a guilty plea and as part of the plea agreement, the charge for Receiving Profit On Public Funds was amended to Theft By Unlawful Taking Under \$300 and the second charge was dismissed. The former Jailer resigned August 14, 2003.

Former County Judge/Executive Victor Hardin's Response:

None.

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CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM


CRITTENDEN COUNTY FISCAL COURT

For The Fiscal Year Ended
June 30, 2003


CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
CRITTENDEN COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2003

The Crittenden County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Name
County Judge/Executive



Name
County Treasurer

